

RD AN No. 4762 (1942-A)  
(3570-B)  
(3575-A)

June 2, 2014

TO: State Directors  
Rural Development

ATTN: Community Programs Directors

FROM: Tony Hernandez /s/ *Tony Hernandez*  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Use of Community Facilities Funds for Buildings with Leased Space

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) is being issued to provide uniform and consistent Agency interpretation on ineligibility of Community Facilities (CF) loans and grants for projects whose primary purpose is leased space to Federal and State Agencies.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces RD AN No. 4653 (1942-A, 3570-B, and 3575-A) dated May 29, 2012, which expired on June 30, 2013.

**IMPLEMENTATION RESPONSIBILITIES:**

We continue to receive inquiries about CF financing of office buildings that primarily serve State or Federal agencies. CF funds may be used only for services customarily provided by a local unit of government. CF loans and grants are not permitted to fund a building primarily used by Federal and State agencies. The Agency recognizes that in many parts of the country, local governments provide limited office space to other local, State, or Federal agencies. In these limited circumstances, the CF applicant must provide documentation to support the projected use of the property.

EXPIRATION DATE:  
April 30, 2015

FILING INSTRUCTIONS:  
Preceding RD Instructions 1942-A;  
3570-B; and 3575-A

With respect to the lease of a small portion of an eligible community facility to organizations involved in a commercial, and otherwise ineligible, activity, these facilities are and will remain eligible for CF funding provided the space occupied by an ineligible organization or used for ineligible commercial activities is insignificant. For purposes of uniform administration, we have determined that a facility with less than 25 percent of its floor space occupied by ineligible organizations or used for ineligible commercial activities is insignificant. In addition, the ineligible organization and the ineligible commercial activity must be related to and enhance the primary purpose for which the facility is being established by our borrower.

If you have any questions concerning eligibility of CF projects, please contact, Karen Safer in Community Programs, (202) 720-0974, or Fax (202) 690-0471.